

# FY 24/25 Annual Budget Performance

## Exchequer releases June 2025

In June 2025, Kenya introduced a third Supplementary Budget just a week before the close of the financial year. Overall, the year recorded a modest 4 percent growth in tax revenues, a sharp rise in domestic borrowing, and notable declines in external borrowing and debt service.

- **Supplementary 1 Budget responded to public outrage over the Finance Bill 2024. Taxes and spending were reduced, but borrowing still rose as revenue targets were reduced more sharply than expenditure.**
- **The government took a less austere approach in Supplementary 2. Borrowing increased significantly in S2 compared to S1. Recurrent and Consolidated Fund spending also went up, but less sharply.**
- The government has continued to make in-year upward revisions in expenditures even as it lowers its projections for tax revenue collection. Tax targets for the current FY were cut by 10 percent in S1, by an additional 3 percent in S2 and a further 4 percent in S3, down to Ksh 2,305.11 billion from the original Ksh 2,745.2 billion.
- **By June, the government had collected 98 percent of the revised target.**

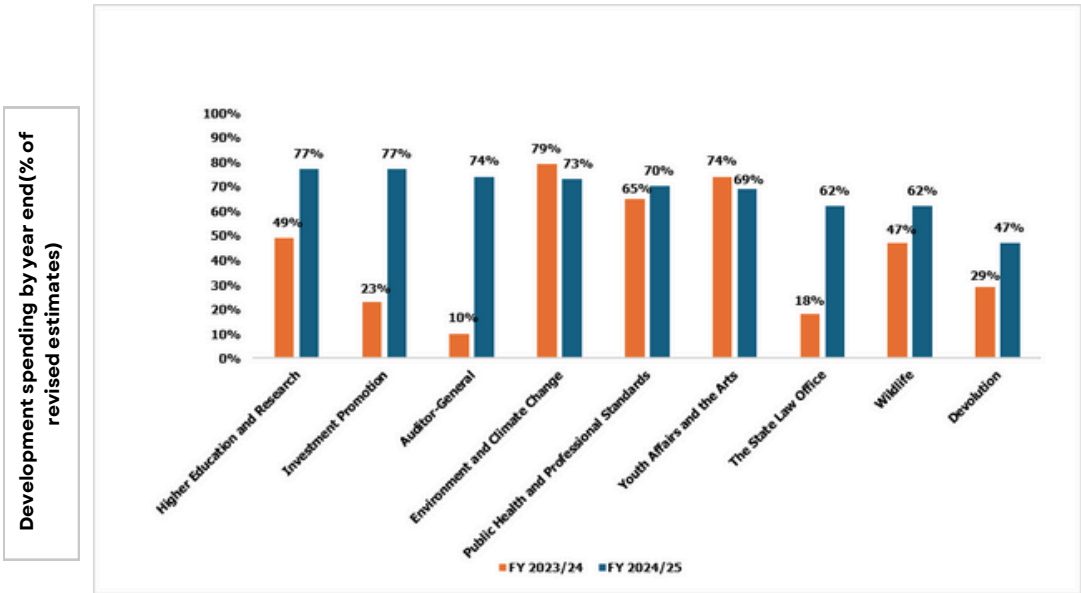
	FY 2024/25 Supplementary 2 Estimates(Ksh Billion)		FY 2024/25 Supplementary 3 Estimates(Ksh Billion)		Actual Receipts by end of June 2025(Percent of revised estimates)
Tax revenue	2,400.7	-3%	2,305.1	-4%	98%
Non-tax revenue	180.2	15%	191.1	6%	90%
Domestic Borrowing	1,167.0	19%	1,200.7	3%	90%
External Borrowing	718.4	21%	501.5	-30%	96%
Other Domestic Financing	8.5	82%	8.5	0%	52%
Recurrent Spending(MDAs)	1,412.7	8%	1,448.6	3%	100%
Development Spending(MDAs)	354.9	1%	351.3	-1%	95%
Total Consolidated Fund Services(CFS) (A+B+C)	2,289.0	7%	1,988.8	-13%	90%
Debt repayment (A)	2,042.1	7%	1,741.8	-15%	90%
Pension and Gratuities (B)	223.1	0%	223.1	0%	93%
Salaries & allowances to constitutional officeholders and miscellaneous (C)	23.8	466%	23.8	0%	99%
Counties- Equitable share + Arrears (Ksh 30.8 billion)	418.3	2%	418.3	0%	100%

The arrows indicate changes in the Supplementary estimates: from Supplementary 1 to Supplementary 2, and from Supplementary 2 to Supplementary 3. Red arrows represent increases, while green arrows represent decreases.

### KEY HIGHLIGHTS

1.


- Of the 51 Ministries, Departments, and Agencies (MDAs) with development budgets, 11 received less than 80 percent of their allocations in FY 2024/25—an improvement from 33 last year. Of these, 9 have received lower disbursements for the second year in a row.
- The State Department for Sports, which previously had no development allocation, was assigned a development budget in S3 and received the full 100 percent disbursement in June.



Programmes affected include:

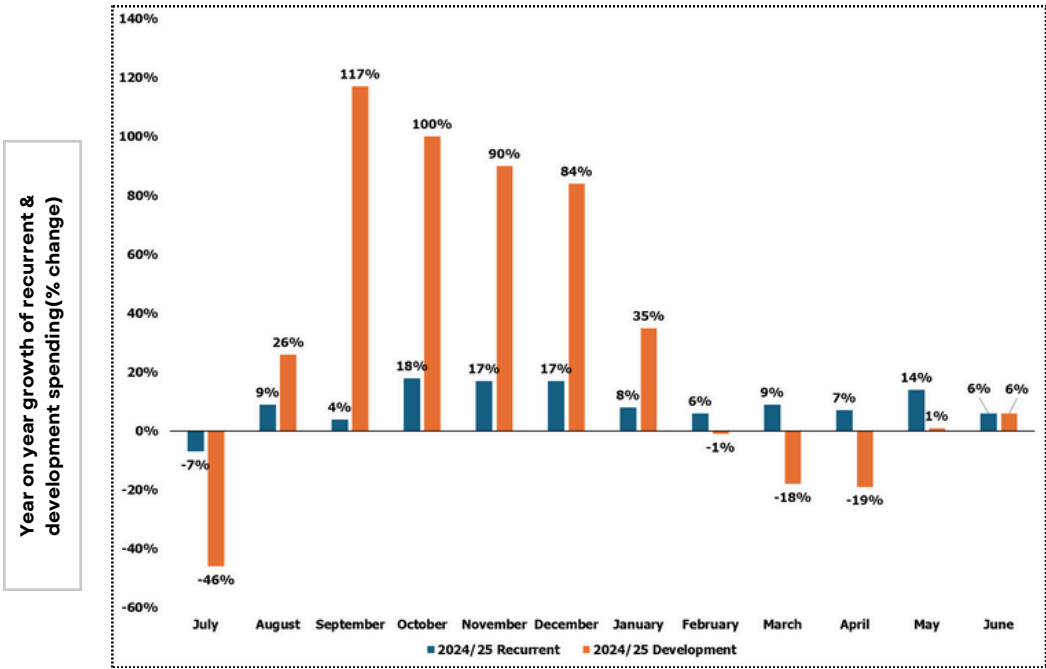
- 1.University Education
- 2.Investment Development and Promotion
- 3.Audit Services
4. Environment Management and Protection
- 5.Preventive and Promotive Health Services among others

2.



- The recurrent spending target was revised upwards while the development spending target was revised downwards
- By the close of the financial year, both recurrent and development spending grew at the same rate compared to last year
- Ministries, Departments, and Agencies’(MDAs) recurrent spending grew by 6 percent compared to the same period last year, reaching Ksh 1,442.6 billion, which was 99.6 percent of the revised target of Ksh 1,448.6 billion.
- Similarly, development spending reached 95 percent of the revised estimates by June, increasing by 6 percent compared to the same period last year.

Recurrent spending peaked in October to December before dipping again. Development spending was erratic–low early on, spiking in September, then declining sharply from February.

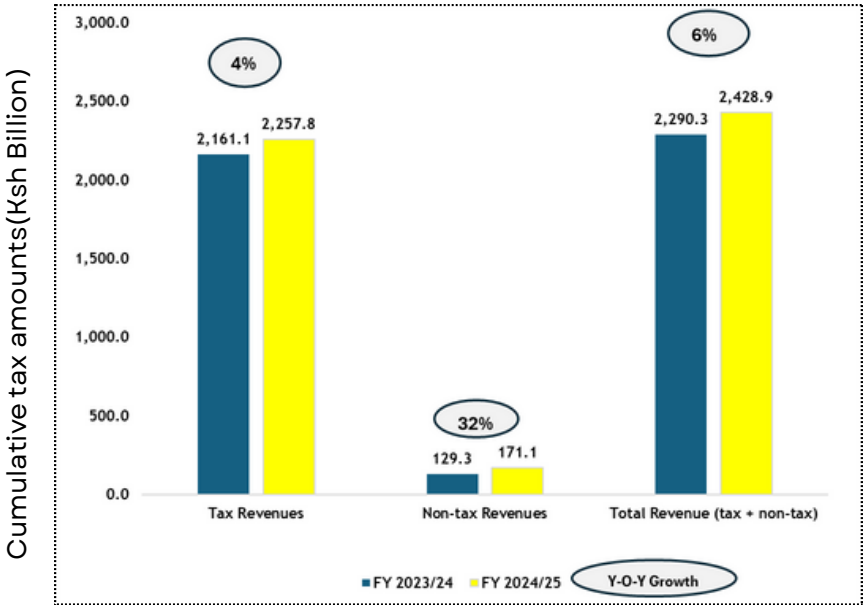


THE GOOD

1.

The revenues target was revised downwards in S3 to a more realistic target. GOK met 98 percent of this target by June 2025.

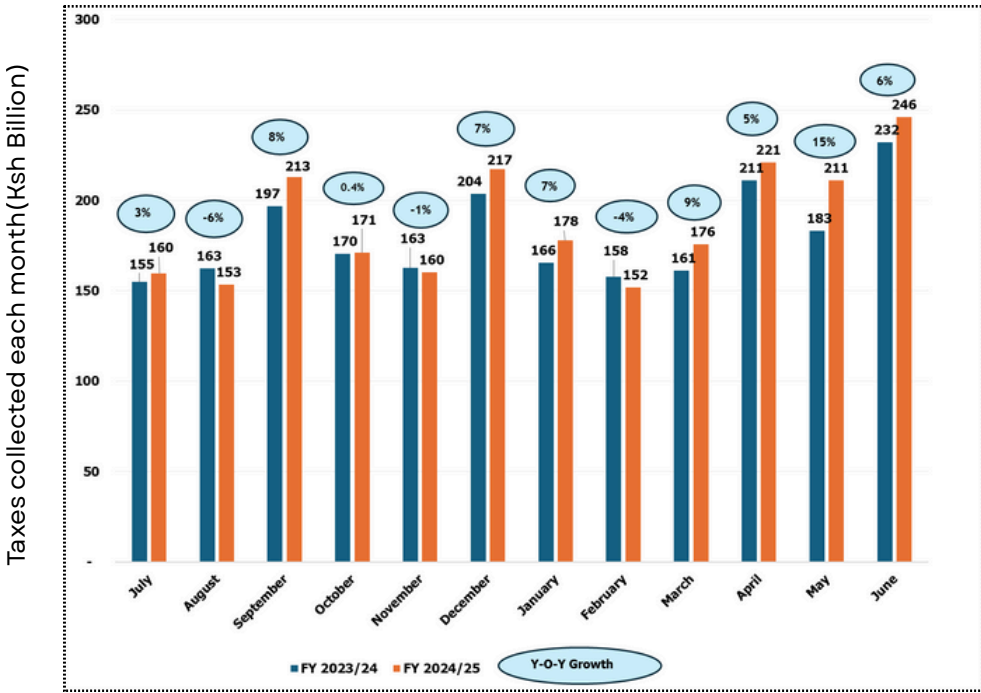
- Tax revenues grew by 4 percent despite the rejection of the Finance Bill, 2024. Some of the proposed measures were later reintroduced through the Tax Laws (Amendment) Act, 2024.
- Revenues (tax + non-tax) in FY 2024/25 grew by 6 percent compared to last year in the same period.



2.

There were notable peaks in September, December, April and June. June 2025 saw the highest monthly tax collections in FY 2024/25.

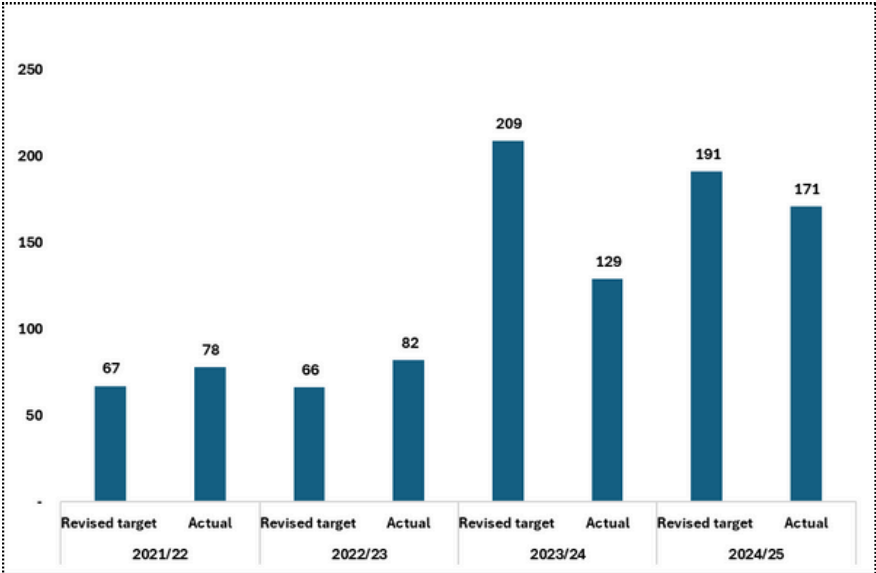
- Tax revenues typically rise in September, December, April and June due to quarterly tax payments and increased business filings.



Non-tax revenues

- Non-tax revenues have been performing well as a result of the government implementing the use of a single paybill, which has enhanced efficient collection of public service fees.
- In FY 2024/25, GOK collected Ksh 171 Billion in non-tax revenues, a 32 percent increase from last year.

Non-tax revenues(Ksh Billion)



3.

Counties received their full equitable share allocation of Ksh 418 billion by the end of June 2025, but did not have enough time to utilize the funds effectively.

- By June, FY 2024/25 disbursements to counties were at 100 percent of the revised budget(calculation excludes balance of Ksh 30.8 billion carried forward from the previous year). This is an improvement from the same period last year, when the government had disbursed 92 percent of the annual target.
- The National Treasury was able to disburse Ksh 64 billion in June 2025, the highest monthly disbursement in the FY 2024/25. Last year, the NT disbursed Ksh 67 billion in June.
- However, the funds were disbursed only a few days before the financial year ended, limiting counties’ ability to use them effectively and undermining service delivery.
- County disbursements have been erratic, some months saw double the usual funding, while others had significantly less or none at all.

Actual equitable share receipts as at end of June 2025(Ksh Billion)

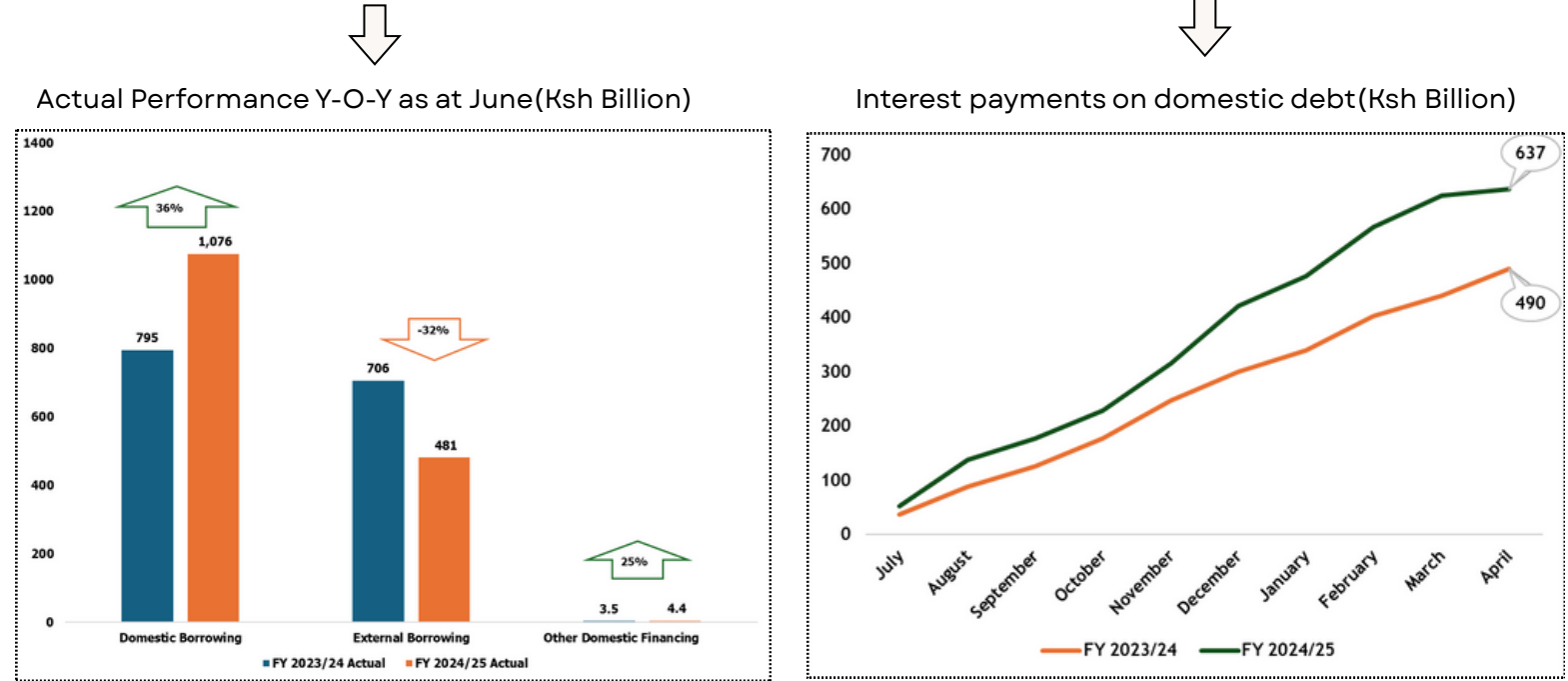
Month	Receipts (Ksh Billion)
July	30.8
August	-
September	32.8
October	30.8
November	63.6
December	33.6
January	16.0
February	33.3
March	14.6
April	43.8
May	55.0
June	63.9

THE BAD

1.

While increased domestic borrowing in FY 2024/25 has reduced currency risk, it is often more expensive, with higher interest rates than external concessional finance

- By June, domestic borrowing and other domestic financing had increased by 36 percent and 25 percent respectively, compared to the previous year, while external borrowing reduced by 32 percent.
- Interest payments on domestic debt have increased compared to last year, pointing to a heavier and growing repayment burden. Latest data as at April 2025



- Nonetheless, the cost of domestic borrowing has gradually dropped. By end of June 2025, the 364-Day treasury bills had an average interest rate of 10 percent compared to 17 percent recorded in the same period last year. This follows the monetary policy committee's decision to lower the Central Bank Rate, citing stable core inflation, low energy prices, and exchange rate stability, which reduced the government's risk premium.

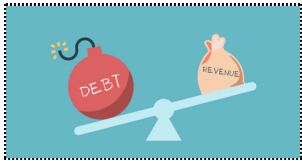
Average interest rates for 364-Day Treasury bills(%)

Date	Interest Rate (%)
28-Mar-24	17.0
25-Apr-24	16.5
30-May-24	16.7
27-Jun-24	16.8
25-Jul-24	16.9
29-Aug-24	16.8
26-Sep-24	16.8
31-Oct-24	15.0
28-Nov-24	12.5
27-Dec-24	11.4
30-Jan-25	11.3
27-Feb-25	10.5
27-Mar-25	10.4
16-Apr-25	10.1
29-May-25	10.0
26-Jun-25	9.7

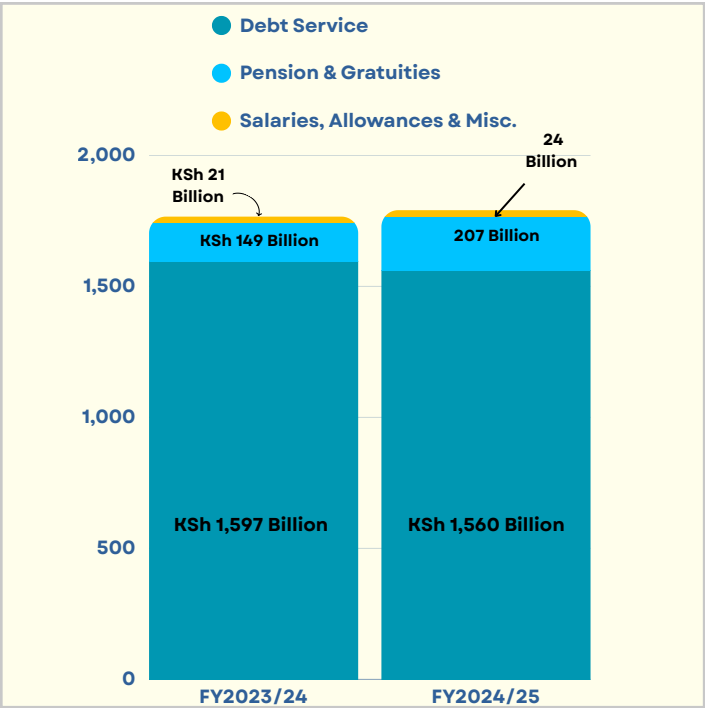
2.

Although the Consolidated Fund expenditure target for FY 2024/25 was reduced in Supplementary 3, actual spending at the end of the FY shows a slight 1 percent increase compared to the same period last year.

- The debt service target was revised downwards by 15 percent from 2,042.1 in S2 to 1,741.8 in S3. By June, GOK achieved 90 percent of this target at Ksh 1,559.9 billion. The government has attributed the lower debt service to the appreciation of the Kenyan Shilling during the year, which helped reduce debt service costs.

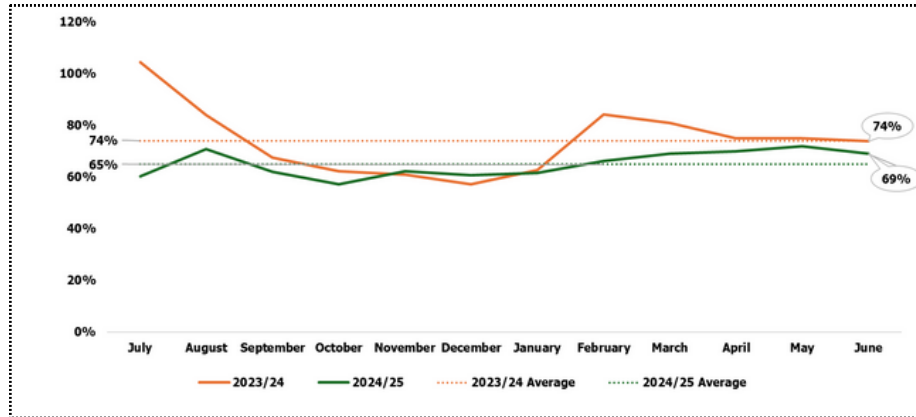


Whereas a 39 percent increase in Pensions & Gratuities comes as a relief for pensioners, there was a notable increase in exchequer issues of 13 percent for Salaries & Allowances to constitutional officeholders and Miscellaneous expenditure. The increase was mainly as a result of increased expenditures by the Judicial Service Commission, Public Service Commission, and Employer Contribution to Housing Levy, among others.



## Debt Service

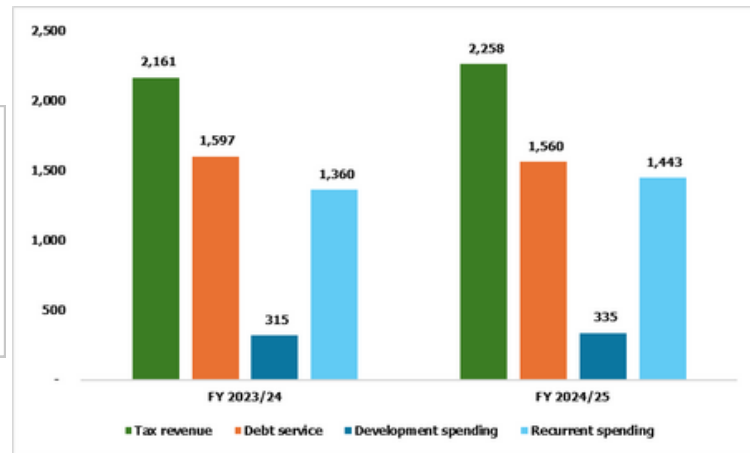
Debt service as a % of tax revenue,  
June 2025(Ksh Billion)



- Although debt service has dropped slightly, it continues to draw away a significant share of financing from other government spending. During the period under review, debt service reduced slightly from 74 percent of tax revenue in June 2024 to 69 percent in June 2025.

- Only 31 percent of tax revenue was left for the rest of the government spending, both recurrent and development. The implication is that the government is funding a significant proportion of recurrent expenditure from borrowing.

Amount as at June  
2025(Ksh Billion)



Source: Kenya Gazette(Vol. CXXVII-No. 154)



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